

Committee: Cabinet

Date of meeting: 16 December 2021

Title of Report: School Funding Formula 2022/23

Report by: John Readman, Executive Director - People

Cabinet Member: Sue Sanderson, Cabinet Member for Schools and Learning

What is the Report About? (Executive Summary)

1. This report sets out the current arrangements for school funding and updates Members on the outcome of a recent consultation with schools.
2. A National Funding Formula (NFF) was introduced for schools from 2018/19 and as in previous years it will continue to be 'soft' year in 2022/23 giving local authorities flexibility in applying the NFF.
3. On 2019, the Chancellor of the Exchequer announced a three-year school funding settlement for 2020/21 to 2022/23. This outlined a national increase in school budgets of £14.5bn over 3 years compared to 2019/20 levels resulting in increases of £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23. With £4.8bn already having been allocated by 2021/22 an additional £2.3bn has been allocated in 2022/23. Of this, £780m is being directed to the High Needs Block.
4. In the Autumn 2021 Spending Review the government announced additional funding of £4.7bn by 2024/25 for the core schools budget. This includes a further £1.6bn for schools in 2022/23 on top of what has already been announced in recognition of budget pressures due to national insurance increases, high needs and responding to COVID19. The split of this funding at a local level has not yet been announced.
5. Local Authorities are obliged to consult their local schools and Schools Forum on an annual basis regarding changes to school funding arrangements and whether to continue to adopt the NFF. Cumbria has adopted the NFF each year since 2018/19.
6. In addition to deciding whether to adopt the NFF for schools or to apply a locally determined formula, Local Authorities also have discretion over whether to transfer up to 0.5% of funding from the Schools Block into other blocks with the agreement of Schools Forum. Last year, after allocating the NFF in full a transfer of 0.5% equating to £1.558m was agreed. After allocating the budget on this basis, and after taking into account the growth budget, £0.553m was leftover which was allocated to schools through increasing the basic per pupil amount. Cabinet is statutorily responsible for deciding on a formula through which funding is allocated to schools.

7. Following a consultation with all Cumbrian schools affected by these proposals, Cumbria Schools Forum at its meeting on 22 November 2021, has recommended to Cabinet that the National Funding Formula is implemented in full from April 2022 for the 2022/23 financial year and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% of funding is to be transferred from the Schools Block into the High Needs block with any balance remaining in the Schools block after the transfer of a maximum of 0.5% to be allocated to schools through the school funding formula.

Recommendation of the Executive Director

8. The Executive Director recommends that Cabinet approve the recommendation of the Cumbria Schools Forum to allocate funding to schools using the National Funding Formula in 2022/23 and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block into the High Needs block and any balance remaining in the Schools block after transfer of a maximum of 0.5% should be allocated to schools through the school funding formula.

Background to the Proposals

National Funding Formula

9. A National Funding Formula (NFF) was introduced for schools from 2018/19. The formula is still 'soft' as it allows local flexibility in applying the NFF. In compliance with DfE guidance the County Council has consulted all schools and Schools Forum on whether the NFF should be adopted for 2022/23.
10. An additional £2.3bn of funding nationally for schools was announced in July 2021 of which £780m will be directed to the High Needs block to support children and young people with special educational needs. The government continues to be committed to moving towards a 'hard' NFF where individual school budgets will be set directly by the Education Skills and Funding Agency (ESFA) rather than independently through a locally agreed funding formula and launched a consultation, the outcome of which has not yet been published, setting out how they propose to bring about the transition from 2023/24. The NFF will include at least a +2% increase in funding per pupil against the 2021/22 baselines and a minimum per pupil funding amount of £4,265 for primary and £5,525 for secondary schools.
11. The other key factors of the NFF for 2022/23 are:
 - A 3% increase in the basic per pupil amount (Age Weighted Pupil Unit);
 - The maximum values for the sparsity factor have increased from £45,000 to £55,000 for primary schools and from £70,000 to £80,000 for secondary schools and the distances will now be measured using road journeys rather than crow flies. There will also a distance threshold taper meaning that those schools that are marginally below the main distance thresholds of 2 or 3 miles (dependent on phase) will now attract some funding through the factor;

- Increases across all other formula factors averaging 2.9%;
- Local authorities will continue to set a minimum funding guarantee (MFG) in local formulae, which must be between +0.5% and +2%. Although there is no gains cap in the NFF local authorities are still allowed to apply a gains cap in their local formula to ensure that their formula is affordable.
 - The funding available in each local authority's Schools Block of the Dedicated Schools Grant is determined by aggregating the total of all school budgets calculated by the ESFA using the NFF.
 - As part of the Autumn 2021 Spending review additional funding of £4.7bn by 2024/25 for the core schools budget was announced. This includes £1.6bn for schools in 2022/23 which will be paid as a grant outside DSG as the National Funding Formula for 2022/23 has already been announced. This funding is in recognition of budget pressures due to national insurance increases, high needs and responding to COVID19. The split of this funding between schools and high needs, and at a local level, is not yet known.

Schools Block Funding

- The ESFA has published provisional school funding allocations for 2022/23, subject to change following updated pupil numbers and other later adjustments. For Cumbria, the Schools Block is expected to increase from £324.649m to £334.743m, a gain of £10.094m. These figures exclude Growth Fund funding which at the time of writing has not been announced. The increase is explained in the table below:

	£m
NFF Formula Increases	10.988
Reduction in premises factor based on actual 2021/22 costs	(0.894)
Total	10.094

- The funding regulations for 2022/23 allow a transfer of a maximum of 0.5% from the Schools Block to other blocks with Schools Forum approval. As last year, transfers above 0.5% would require Secretary of State approval.
- It should be noted here that the above figures do not include Cumbria's share of the additional £1.6bn of funding being made available nationally in 2022/23 as announced in the government's Autumn 2021 Spending Review, the split of which between schools and high needs has not yet been published.

High Needs Block Funding

- The provisional High Needs Block settlement for Cumbria is £57.989m, an increase of £4.074m compared to the 2021/22 funding of £53.914m. It should be noted, however, that these figures are before deductions for direct funding of High Needs places by the ESFA, which amounted to £4.278m in 2021/22. The increase includes a minimum 8% increase in funding per head of 2 to 18 year old population capped at 11%. For Cumbria the per head gain is estimated to be £3.999m (8%) subject to changes in pupil numbers and other later adjustments.

19. Despite the provisional increase in High Needs funding, there continues to be significant pressure on the High Needs Block budget, largely related to the increasing numbers of pupils with Education and Health Care Plans (EHCPs), the increasing number of pupils in specialist placements and the increasing costs of those settings. Between the period April 2018 and September 2021 the total number of children and young people with an EHCP has increased by a total of 1,267 to 4,196 which represents an increase of 43%. However, the 2 to 18 year old population numbers have remained relatively static over the same period.
20. In addition to this, a significant proportion (36%) of the High Needs Block funding in 2021/22 is based on historic planned spend in 2017/18 and therefore does not fully recognise the significant growth in the number of children and young people with SEND. For 2022/23 the provisional allocations indicate that £19.141m (33%) of the funding available will be based on the historic factor which is now based on actual spend in 2017/18, however, this has resulted in a reduction in funding for Cumbria through this factor of £0.580m compared to 2021/22.
21. Pressure on High Needs budgets is a national issue. At the end of 2019/20 of 149 authorities with responsibility for education, 93 of these were in deficit across both Central DSG and High Needs. In March 2021 DfE announced that 5 authorities with the largest deficits would receive funding as part of a safety valve intervention programme with funding up to £30m provided over 5 years dependent on development and delivery of action plans to reduce deficits over the life of the programme. It is expected this programme will be rolled out to other authorities.
22. The SEND review is due to be published in the first quarter of 2022. The Children and Families minister has announced that the review will aim to reduce regional disparities in provision of care. A consultation on High needs funding and subsequent changes are expected to follow publication of the SEND review.

DSG Reserves

23. The main pressure on the Council's DSG reserves relates to the deficit on the High Needs Block and many other local authorities are in a similar position to Cumbria. As at 31 March 2021 there was a deficit on the High Needs Block earmarked reserve of £14.550m and as at Q2 budget monitoring the deficit on High Needs is projected to be £20.521m by 31 March 2022. This increase is in part due to the increasing levels of need but also due to some of the invest to save initiatives which need upfront investment to deliver savings in future years. In a recent survey of 16 North West local authorities 9 local authorities made transfers from the Schools Block to High Needs Block in 2021/22 and 12 local authorities are predicting an in-year overspend. The average predicted in-year overspend as a percentage of the High Needs Block funding is 5% with Cumbria being the highest at 10%. In terms of the predicted cumulative deficit against the HN Block as a percentage of the HN Block funding for 2021/22 the average is 13% with the highest being 39% and Cumbria at 27%.

Consultation with Schools

24. Indicative NFF 2022/23 funding allocations were presented to Schools Forum at its meeting on 20 October 2021 and Schools Forum agreed to consult all Cumbria primary and secondary maintained schools and academies on the same principle that was applied last year. Namely, to allocate the school budget shares using the NFF and if there is any surplus balance remaining after allocating on this basis to transfer it to the High Needs Block up to a maximum of 0.5% in order to assist with the ongoing pressures. The actual value of the transfer cannot be confirmed until final funding figures are received which will be based on the October 2021 census data and pupil characteristics. However, it is estimated that the transfer will be in the region of £0.8m up to a maximum of £1.5m.
25. A surplus following allocation of the NFF in full can occur because funding is allocated to the Local Authority on the basis of Primary Units of Funding (PUFs) and Secondary Units of Funding (SUFs) multiplied by the relevant pupil numbers in each phase, whereas funding is allocated to schools on the basis of NFF factors. The actual value of any potential transfer cannot be confirmed until final funding figures are received.
26. A copy of the consultation document is found at Appendix 1 with a breakdown of the responses at Appendix 2. In total 16 schools responded to the consultation with 16 (100%) agreeing with the Schools Forum recommendation that the NFF should be used to allocate funding to schools in Cumbria from April 2022. A total of 15 (94%) respondents agreed that a transfer from the Schools Block to the High Needs Block should be actioned.
27. Following analysis of the results of the consultation, Schools Forum at its meeting on 22 November 2021 recommend to Cabinet that the NFF should be used to allocate funding to schools and, after taking into account the growth fund budget, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block into the High Needs block and any balance remaining in the Schools block after a transfer of a maximum of 0.5% should be allocated to schools through the school funding formula.
28. The proposals do not impact on the budgets of special schools, nursery schools, nursery classes within primary schools, or pupil referral units which are all funded through different formulae and different blocks of the DSG.
29. The funding formula decided upon by Cabinet will apply to both maintained schools and academies, although from different dates. Whereas, the formula will apply to maintained schools from April 2022, it will apply to academies from September 2022 as a result of the academic year funding regime in this sector. Funding for academies does not pass through the local authority and is paid directly to those institutions by the ESFA.

Options Considered and Risks Identified

Option (a)

- Approve the recommendation of the Cumbria Schools Forum that the National Funding Formula is implemented in Cumbria from April 2022, impacting maintained schools from April 2022 and academies from September 2022, and after taking into account the growth fund, any residual balance up to a maximum of 0.5% to be transferred from the Schools Block to the High Needs Block with any balance remaining in the Schools Block after transferring a maximum of 0.5% to be allocated to schools through the school funding formula.

Option (b)

- Approve the recommendation of the Cumbria Schools Forum that the National Funding Formula is implemented in Cumbria from April 2022, impacting maintained schools from April 2022 and academies from September 2022

and, after taking into the growth fund,

- Overturn the recommendation of Cumbria Schools Forum to transfer 0.5% Schools Block funding to the High Needs Block with any balance remaining in the Schools Block after transferring a maximum of 0.5% being allocated to schools through the school funding formula.

Risks –

30. The Cumbria Schools Forum recommendation follows a consultation with all schools impacted by the funding changes. Deciding upon an alternative option to the recommendation of the Cumbria Schools Forum may damage relationships between the Council and stakeholders namely primary and secondary schools and academies, and the Cumbria Schools Forum.

Reasons for the recommendation/Key benefits

31. The recommendation has been made by the Cumbria Schools Forum following a consultation with all affected Cumbrian schools and academies.

Financial – What Resources will be needed and how will it be Funded?

32. Resource and value for money implications are considered throughout this report.

Legal Aspects – What needs to be considered?

33. The School and Early Years Finance Regulations provide that Local Authorities must consult their Schools Forum and schools maintained by them about any proposed changes in relation to factors and criteria taken into account, and the methods, principles and rules adopted when determining the school funding formula.

34. The County Council has now undertaken this consultation in respect of the funding formula for Cumbria from April 2022.
35. Cabinet is the decision-making body for the schools funding formula and must now consider the outcome of the consultation and take that into consideration when making a decision on whether to adopt the NFF, as per Schools Forum's recommendation. Although not duty bound to follow the recommendation of Schools Forum following the consultation, if Cabinet departs from the recommendation clear reasons must be given. Schools Forum is the decision maker with regards to whether to allocate (up to) 0.5% of the School block funding into the High Needs block.
- 36. Health and Safety Aspects – What needs to be considered?**
37. The Council has a responsibility under the Health & Safety at Work Act 1974 and associated legislation and regulations to ensure that, as far as is reasonably practicable, that adequate health and safety management arrangements are in place to protect employees, members, customers, pupils, parents and visitors to County Council related services.
38. Whilst there are no direct health and safety implications from the School Funding Formula report itself, health and safety implications must be considered for both capital and revenue expenditure in schools that are within County Council governance arrangements, with appropriate investment in health and safety related controls where required.
39. Any health and safety implications resultant from the school funding formula should be assessed with associated controls implemented if and when required. All activity should follow the commitments outlined in the Annual Corporate Health and Safety Policy Statement last agreed by Cabinet in July 2021. (P Robinson 3 Nov 2021).

Council Plan Priority – How do the Proposals Contribute to the Delivery of the Council's Stated Outcomes? (Outcomes - People in Cumbria are Healthy and Safe, Places in Cumbria are well connected and thriving, the Economy in Cumbria is growing and benefits everyone)

40. The proposal links to the Council Plan outcome that 'People in Cumbria are healthy and safe'.

What is the Impact of the Decision on Health Inequalities and Equality and Diversity Issues?

41. A funding formula is applied equally to all schools and academies using the parameters and factors within the formula and therefore the formula is not expected to impact on health inequalities or equality and diversity issues.

Appendices

Appendix 1 Cumbria Schools Forum Consultation Document – National Funding Formula

Appendix 2 Results of the consultation with affected schools and academies

Key Facts

Electoral Division(s): All

Executive Decision	Key Decision Included in Forward Plan	Exempt from call-in	Exemption agreed by scrutiny chair	Considered by scrutiny, if so detail below	Environmental or sustainability assessment undertaken?	Equality impact assessment undertaken?
Yes	Yes	No	N/A	No	N/A	Yes

Approved by the relevant Cabinet Member/s on 2 December 2021

Previous relevant Council or Executive decisions

None

Consideration by Overview & Scrutiny

None

Background Papers

None

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